

<b>TAX:</b>	<b>LOCAL OPTION SALES TAX</b>	<b>TB-37</b> <b>Replaces TB – 14</b>
<b>SUBJECT:</b>	<b>REQUIREMENT TO COLLECT LOCAL OPTION SALES TAXES</b>	<b>Issued: 03/16/07</b>
<b>REFERENCES:</b>	<b>24 V.S.A. § 138</b>	

The purpose of this bulletin is to address collection of Local Option Sales Tax imposed under the provisions of section 138 of Title 24, Vermont Statutes Annotated, July 1, 2002. The principles below will apply to any municipalities that enact Local Option Sales Taxes.

#### GENERAL RULES

Local Option Sales Tax is collected on a destination sales basis. A vendor located within the borders of a local option sales tax town, and any other vendor that delivers or sends items to a local option sales tax town must collect Local Option Sales Tax (1%) on sales that are subject to the state sales (6%) tax. If the property being delivered or sent is taxable, shipping charges are also subject to both taxes. Sales from a Local Option Sales Tax town where delivery is made to a non-Local Option town are not subject to the Local Option Sales Tax. Out-of-state vendors that have voluntarily agreed to collect Vermont state sales tax through their membership in the Streamlined Sales Tax Project (SSTP) must also collect Local Option Sales Tax.

Persons making amusement charges subject to state sales tax must also collect the Local Option Tax on these charges if the entertainment or recreational facility is in a local option sales tax town. Utility sales subject to state tax (electricity used commercially, cable TV and telecommunications, for example) are subject to the Local Option Tax if the charge is for service provided at an address in a local option sales tax town. Charges for leases or rentals of tangible personal property subject to state sales tax are also subject to the Local Option Tax if the property is located in a local option sales tax town. The Local Option Sales Tax does not apply to motor vehicles subject to the 6% purchase and use tax nor does it apply to automobile rentals.

Sales made from temporary sites are subject to the Local Option Tax if the temporary site is in a local option sales tax town.

#### EXAMPLES

1. A customer purchases a tennis racquet at Vendor A's Manchester store. Manchester is a Local Option Tax town. Vendor A must collect the 6% state sales tax and the 1% Local Option Sales Tax.
2. A customer from Rutland telephones Vendor A's Williston store and orders a table. The sale is not subject to the Local Option Sales Tax even though Williston is a Local Option Tax town, because the table will be shipped to Rutland which has not adopted Local Option taxes. However, if Vendor A were located in Rutland and the customer in Williston, the sale would be subject to the Local Option Sales Tax because Williston is the destination of the table.

3. The sale is the same as above except the customer is in Hoosick Falls, New York. The sale is not subject to the Local Option Sales Tax because the statewide sales tax is not collected on the out-of-state shipment.
4. A vendor located in Rutland sets up a temporary location at a craft fair in Stratton, a Local Option town. Sales of pillows made from the temporary location are subject to the Local Option Sales Tax. However, if the Vendor were from Stratton and the temporary location is in Rutland, the sales would not be subject to Local Option Sales Tax.
5. A salesperson working for a vendor located in Burlington visits a customer in Rutland and sells a wrench from an inventory in his van. This sale is not subject to the Local Option Sales Tax. If the vendor was from Rutland and the sale was made in Burlington, Local Option Sales Tax would apply.
6. An electrical utility sells electricity subject to Vermont sales tax to customers in Williston and outside Williston. Local Option Sales Tax applies to sales where the service is received in Williston but not to other sales.
7. A fuel oil dealer has offices in Rutland from which customer accounts are serviced. A customer contacts the Rutland office to establish accounts, close accounts or to handle issues regarding service or billing. After accounts have been established, fuel is delivered automatically depending on historical consumption patterns and degree days. The dealer has storage facilities in several towns. Sales by this vendor into local option towns are subject to Local Option Sales Tax, regardless of the location of the storage facility from which the oil is delivered.
8. An operator of a retail business in Burlington acquires a computer from a mail order business outside of Vermont which does not collect sales or use tax. The computer is subject to the 6% state use tax. It is not subject to the Local Option Sales Tax because the sales tax was not collected by the out-of-state business. If the mail order business is registered to collect Vermont sales tax, the computer is subject to the 6% state sales tax and the Local Option Sales Tax.
9. An operator of a business in Burlington purchases a computer from a Rutland business. No state sales tax is collected because the purchaser holds a direct-pay permit. The transaction is subject to the Local Option Sales tax, and the seller must report and pay a Local Option Sales Tax on its state sales tax return.
10. A leasing company located in Rutland collects Vermont sales tax on lease payments for a bulldozer located in Williston. These lease payments are subject to the Local Option Sales Tax. However, if the leasing company were in Williston and the bulldozer in Rutland, no Local Option Sales Tax is due. The tax on the first lease payment is determined by where the item is received and, to the extent the vendor has knowledge of the location of the bulldozer during subsequent lease periods, the tax is determined by location.
11. A person works out of his home in Burlington. He does not maintain a business office in his home or at any other location. He visits clients at their locations and solicits sales, which his supplier ships directly to his client. If the client is outside of a local option town no Local Option Sales Tax is due. However, if the destination of the item sold is to a local option town, such as Burlington or Stratton, Local Option Sales Tax is due.

12. A person operates a roller-skating rink in Manchester (Admission charges to skating rinks are amusement charges subject to Vermont sales tax.) Tickets for admission can be purchased at outlets in Rutland. Local Option Sales Tax is collected regardless of the location of the ticket outlet. However, if the rink were in Rutland, Local Option Sales Tax is not collected on the tickets sold from the Manchester outlet.

13. A telecommunications service provider located in Rutland provides service to a customer located in Manchester. The charges are subject to the state sales tax and the Manchester Local Option Sales Tax. If a telecommunications service provider located in Burlington provides services to a customer located in Hinesburg, the transaction is subject to the state sales tax but is not subject to the Local Option Sales Tax.

## REGISTRATION OF VENDORS

Local Option Sales Taxes may be collected by any vendor with a Vermont sales and use tax certificate of authority. No additional registration is required.

## COLLECTION OF TAX FROM CUSTOMERS

The Local Option Sales Tax may be combined with the state sales tax and collected as a single 7% tax. At the vendor's option, the state tax and local tax may be shown separately.

## FILING RETURNS AND PAYING TAX

Vendors who make sales in a local option sales tax town or who ship items subject to sales tax to a local option sales tax town should file utilizing their usual filing frequency. The appropriate amount of Local Option Sales Tax must be reported next to the designated local option sales tax town. The total Local Option Sales tax amount should be included in the total amount of state sales and use tax reported on the state sales and use tax form.

Questions regarding Local Option Sales Tax can be directed to the Taxpayer Services Division at (802)-828-2551.

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Policy Analyst

Approved:

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Commissioner of Taxes